look into that part. It is a suggestion from the hon. Member.

श्री गुलाम रसूल कार : मैं पूछना चाहता हूं कि क्या आप अफगानिस्तान को इस किस्म का जो चाय भेजते हैं उसको भेजना बंद करेंगे ?

श्री सभापति : अफगानिस्तान का सवाल तो इसमें है नहीं। बाद में पूछिये अलहदा में उनसे।

Scheme of non-resident Indian investments in Public Limited Companies

*382. SHRI SURESH KALMADI:†
SHRI S. W. DHABE:

Will the Minister of FINANCE be pleased to state:

(a) whether under the scheme of non-resident Indian investments in public limited companies a company incorporated outside in which a non-resident Indian (of Indian origin) has a substantial shareholding is allowed to buy shares of Indian companies;

(b) whether any provisions exist under the scheme by which Government could take action to prevent a non-resident Indian from selling the shares of foreign incorporated companies to a person not eligible to invest in shares in India; and

(c) what procedural safeguards are there to ensure that the scheme is not misused and shares of Indian companies, once transferred to a foreign company (promoted by an Indian non-resident), do not get into the hands of those who are not eligible to invest in shares in India?

THE MINISTER OF FINANCE (SHRI PRANAB KUMAR MUKHERJEE): (a) to (c) A statement is laid on the Table of the House.

†The question was actually asked on the floor of the House by Shri Suresh Kalmadi.

Statement

A company incorporated outside India can buy shares of Indian companies with the approval of Reserve Bank of India provided at least 60 per cent of the shares of the overseas company are owned by non-residents of Indian nationality/origin. The permission granted by Reserve Bank to the overseas company to purchase shares of Indian companies is subject *inter alia* to the condition that the permission would remain valid so long as at least 60 per cent of the ownership interest is held by non-residents of Indian nationality/origin. The company is required to submit an overseas Auditor's Certificate in this regard in the prescribed form while obtaining Reserve Bank's approval and also on an annual basis thereafter. Consequently if the ownership of the non-residents of Indian nationality/origin in the overseas company falls below 6* per cent, because of sale/transfer of shares of overseas company, the approval granted by RBI will cease to be valid.

SHRI SURESH KALMADI: Sir, the N.R.I. was heralded with much fanfare about two years ago and in all they have been able to mop up only about Rs. 180 crores so far. Under the present guidelines, there is no provision to take action in order to prevent the non-residents from selling their shares to the non-eligibles. What can the Government do for example, if Mr. Swaraj Paul decides to sell his shares to somebody else after his shares are transferred from Nandas? What happens if the entire Caparo Group of which Shri Swaraj Paul is the head, transfers its shares to say British Petroleum which is governed by the U.K. law? How can we prevent it? You say that you will cancel the approval. What does it mean? What action can at all be taken? I think we are totally impotent in such an eventuality. The R.B.I. itself has no machinery to review it at a point of time or continuously. I do not know why the

Finance Ministry does not leave it to the R.B.I. You have decided the policy and you still indulge in a case to case review which also leads to a lot of corruption. My suggestion would be that as far as the non-resident investors are concerned, it should be as an individual and not as a company because our idea is not that they should come here and take over the management of the company. The idea is to earn foreign exchange. These people must come here as individuals and then, of course, the R.B.I. can monitor.

MR. CHAIRMAN: You have changed the entire policy. Please ask the question.

SHRI SURESH KALMADI: My question is whether in view of the failure of the scheme, they intend scrapping this scheme altogether. Alternatively, will they modify this scheme to allow only individuals to buy shares of our firms in the country?

SHRI PRANAB KUMAR MUKHERJEE: There is no question of scrapping the scheme altogether. Nor is it correct to come to the conclusion that the scheme has flopped. The hon. Member has raised certain issues which he is not fully aware of, or he has not taken the trouble, of going into the details of the scheme itself. Firstly, for the information of the hon. Member and of the House I can give you certain figures which I have just given a couple of weeks back, not exactly on this question, but in connection with something else, when the issue came up before the House. So far as the direct investment with full repatriation rights are concerned, Sir, the number of proposals we have approved investment in new companies is 181, investment in the existing companies is 102, and the total is 283, and the amount involved is about Rs. 108 crores. Now, the 74 per cent scheme, as the hon. Member is aware of that non-resident investment scheme, has many facets. Under the 74 per cent scheme the number of proposals approved is 13 and the amount involved is Rs. 25.41 crores, direct investment on repatriation basis Rs. 22.64 crores, repatriation basis during this period I am relating the figure to the position as on 31-5-1984. As regards portfolio investment on repatriation basis, the number of applications from individuals approved is 316. The number of applications from overseas corporations is 60 and the amount involved is Rs. 39.82 crores as on 31-3-1984. And in other case this portfolio investment on non-repatriation basis made by the banks in India on stock exchange on behalf of their non-resident clients, the number of applications approved is 140 as on 30-6-84 and the amount involved is Rs. 25.66 lakhs, apart from the money which we have received from the non-resident external accounts, both of non-resident external rupee and the foreign currency non-resident dollar and the FCR pound sterling. These figures are known to the hon. Member and they are also quite impressive. For instance, from non-resident rupees as on 31st March, 1982, it was Rs. 1186 crores and on 30th April, 1984, it was Rs. 2062 crores. From dollars it was just 100 crores worth. It has gone up to 420 crores. Pound sterling it was just 46 crores two years before. It is now 223 crores and so the total has gone up from 1333 crores to 2706 crores. So, by any count you cannot say that the scheme has flopped and that it should be scrapped. But the hon. Member has one point which he has raised...

MR. CHAIRMAN: Individual...

THE MINISTER OF FINANCE SHRI PRANAB KUMAR MUKHERJEE: No, not that. To that suggestion I am reacting. The scheme will be applicable to the individuals and to trusts, societies, companies the subject to certain limitations. But the moot point which he raised in the first part of the supplementary and in the second part he did not repeat, is that what

can the Government do if a situation arises if after making investment in an Indian company, when he fulfils all the eligibility criteria and thereafter if the ownership transfers what action we can take and this is a real valid point. Sir, in order to tackle that problem, firstly I have suggested that there should be a lock-in period...

MR. CHAIRMAN: A time-limit.

SHRI PRANAB KUMAR MUKHERJEE: A one-year lock in period we have already introduced in case of portfolio investment. But if actual physical transfers take place earlier, the hon. Members will recollect that one question came up with reference to another company where the non-resident holding was by a company. The ownership of that company was transferred to some other company and the entire transaction took place outside the country where neither the RBI nor the Government has any control. But you will have to keep in mind why he is investing. He is investing either to take back the money or to keep the money somewhere. And the moment the person incurs or attracts ineligibility then the Reserve Bank can take action under the normal provisions of the FERA. This point you have missed. Forget about the non-resident investment. Even under the FERA we are directing where the larger holding is there that you have to reduce your holding from say 74-75 per cent to 40 per cent. If somebody refuses to do so, there are certain measures under the FERA, particularly Section 29 of FERA under which you can take measures. Therefore, these two measures are being taken. One is the locking period, and we have just started the scheme; it is picking up right now and from the experience also we shall know in what way it can be used, and corrective measures will be taken.

About the role of the Reserve Bank, it is the hon. Member's misapprehension that we are reviewing the cases. Even the information which I am giving to the hon. House, is also collected from the RBI. It is being done by the RBI.

SHRI SURESH KALMADI: This scheme has been very unfair to Indian investors, because these foreign nationals get tax concessions. Even Mr. Swraj Paul is not an Indian citizen; he is a British citizen, and he has to pay 22 per cent tax only and he is exempted from income-tax or wealth-tax to which any other Indian citizen is subjected who starts a firm, builds it up and one fine morning, somebody comes, buys up its shares and takes away the company, which is entirely unfair. My question was, whether you are aware that lot of funds, black money, from India is going abroad and is coming back in the form of non-resident income, and also whether you are aware that Mr. Swraj Paul had a Trust in Zurich...

MR. CHAIRMAN: I don't think you can refer to Swraj Paul, except as an example.

SHRI SURESH KALMADI: I am only saying it as an example that, say, one Swraj Paul has invested money in Zurich, Hoffman, and it is a Trust. I don't know whether Indians are there in that Trust, whether politicians are there in that Trust. I want to know whether you are aware that money going from India is coming back in the form of non-resident income. What is the Government doing to plug such loopholes?

SHRI PRANAB KUMAR MUKHERJEE: Firstly, the hon. Member has unnecessarily raised an issue which has no relevance either with the subject or with the question, and in his anxiety to support a particular section of industrialists who are making this type of propaganda, in his anxiety to support them...

SHRI SURESH KALMADI: This should be taken off the record that I am supporting certain brand of indus-

trialists. Let him take back this remark, because I am only talking in the national interest; I am not talking in the interest of non-resident Indians. He should take back these remarks.

SHRI PRANAB KUMAR MUKHERJEE: You appreciate your words, the exact words you have used, that Indian investors are in a disadvantageous position. I am sorry to point out to you that you have not read the scheme at all. The tax concession that you are talking of, does not exist. This type of propaganda is made; it was made sometime in 1983 and this was pointed out that tax concessions are for individuals, and not for the companies; but you did not take the trouble of changing your wrong impression even over a period of one year. No tax concessions are permitted for any portfolio investment, if the investment is being made by a company. Tax concession is only for individuals. This is one aspect.

Second aspect is that we have made adequate safeguards for protection of indigenous industry, indigenous investors, in any company, alround investment taken together, cannot go beyond an aggregate ceiling of 5 per cent. Therefore, these two measures are there.

Thirdly, on the floor of the House, on a number of times, I have made it abundantly clear that we do not believe in the remote control, and naturally, no question of handing over the companies to non-residents will arise. It cannot be considered because in many of these companies, firstly they cannot have that type of shareholding, if it is limited.... (*Interruptions*)... to non-resident Indians; it is not the case of one individual. Total aggregate ceiling on investment in a company, so far as portfolio investment is concerned, can go maximum upto 5 per cent; it may be one, or two or hundred, and all combined together, cannot take over the unit unless the management of the unit.... (*Interruptions*). Yes, financial institutions have to protect the interests of not the individual industrialist but the interest of the country and the interest of the community, and it is the job of the financial institutions who are meant for that, and are not meant for any individual entrepreneur who is just having a minority shareholding and just with their glare of publicity they can create a situation where they will take the financial institutions taken for granted.

SHRI SURESH KALMADI: He has not answered my question. Black money is being routed through investment by non-residents. That is my question. Black money is going out of this country and it is coming back into the country through investment by non-residents. Lot of politicians have deposited money in foreign banks. Even Swraj Pal.... (*Interruptions*).

SHRI PRANAB KUMAR MUKHERJEE: I do not know who they are. If he has got the names he can give me. I will enquire into those cases. Otherwise he should not bring in this type of things. This is just cheap populism and playing to the gallery.

SHRI SURESH KALMADI: He has still not answered my question.

SHRI S. W. DHABE: Sir, the scheme of the Government is to allow all non-resident overseas companies to invest and purchase shares in the company incorporated in India. The word used is 'of Indian origin'. I uunderstand it as 'of any nationality', whether it is the British nationality or the American nationality. If they have taken the nationality of those countries and still they declare that they are of Indian origin, they will be considered as non-resident Indians. In this connection, I would like to know what the position is of those Indians who have taken exclusive nationality of those countries. Will they be considered as non-residents of Indian origin?

Secondly, as per this scheme the non-residents may purchase or buy shares, but the condition is that they must have minimum 60 per cent shares in the overseas company. In the last part of your statement, you have said that if the shares fall less than 60 per cent, the approval granted by Reserve Bank of India will cease to be valid. What happens to the remaining shares which they have purchased. Will their remaining shares be forfeited or transferred to some other company?

Lastly, I would like to know from the Minister whether he will allow incorporated companies of the overseas companies to start new industries in India, over and above the facility of taking the shares in the existing companies.

SHRI PRANAB KUMAR MUKHERJEE: Sir, the hon. Member did not notice when I read out the figures. I gave the figures of the investment in new companies. I am repeating the same for him. Investment in new companies: the proposals we have approved are as many as 181. But as I mentioned on an earlier occasion while discussing this issue, I would not like to limit the scheme only to the new industries. I would welcome it, but I would leave with the prospective investors a wide choice. If he wants to invest in new areas he can do it. If he wants to invest in existing companies to some extent with the safeguards and within the parameters which I have prescribed, he can do it. So, I am not putting any bar to it. My intention, however, would be that if they come and invest in new areas, it wil be desirable, but simply my desire won't do. After all, a man who will invest will not invest merely on nationalism or patriotism basis. He is coming to see whether he can earn more profit. So, this is one question.

Secondly, Sir, I have already replied, to Mr. Kalmadi's supplementary as to what action the Government or Reserve Bank can take when the investments become ineligible and when the concerned concern is asked to disinvest, there is a set procedure as to how they are to disinvest. For instance, when foreign equities are disinvested, in relation to that I referred to particular provisions of FERA.

In regard to the Indian origin, this point also was discussed on an earlier occasion, whether we should limit to the Indian nationals only. But many Indians live in a particular country where there is a system of dual nationality. Though they intend to retain their Indian passport and Indian nationality, because of certain factors they are to accept dual nationality and simply...

SHRI S. W. DHABE: My question is not answered. I am asking about those who have acquired the citizenship of other countries.

SHRI PRANAB KUMAR MUKHERJEE: I am sorry, I could not get the question.

SHRI S. W. DHABE: I am asking the question about exclusive nationality, where an Indian national has acquired exclusive nationality of countries like Britain or America. I am not saying about dual nationality.

SHRI PRANAB KUMAR MUKHERJEE: Although I could not catch the point, I will reply to his point as I understood it. Let me explain as I have understood it. (*Interruptions*). I am trying to explain.

SHRI S. W. DHABE: Without maintaining Indian nationality, whether they will be allowed.

SHRI PRANAB KUMAR MUKHERJEE: Will you please listen to me? In certain countries, there is a provision wherein if they do not accept the nationality of that country, they are not allowed to remain there. In many other countries, it is there. Therefore despite their intention, they may be compelled to accept the na-

tionally of that particular country. My scheme is extended to all these. And this point was discussed not once but twice or thrice on the floor of this House.

Air link between Bangalore and Belgaum

*383. SHRI M. S. GURUPADASWAMY: Will the Minister of TOURISM AND CIVIL AVIATION be pleased to state:

(a) whether it is a fact that the air link between Bangalore and Belgaum has been cut off recently; and

(b) if so, what are the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF TOURISM AND CIVIL AVIATION (SHRI KHURSHEED ALAM KHAN): (a) Yes, Sir.

(b) The passengers carried between Belgaum and Bangalore on the daily HS-748 service on the sectors Belgaum/Goa/Bangalore averaged a maximum of only 12 passengers per flight. Consequently the HS-748 service on Belgaum-Goa-Bangalore sectors had to be withdrawn for not being economically feasible.

SHRI M. S. GURUPADASWAMY: Sir, the hon. Minister is taking a very narrow view. It is not as if this line alone was incurring a loss, and other lines are making profits. There are lines, perhaps in the Eastern sector, which are incurring heavy losses. This particular air link betwen Bangalore and Belgaum has got potential for improvement in future. There were instances in the past where the services were losing money in the beginning but had yielded profits later on. May I know from the Minister whether he will reconsider and reintroduce this air link?

SHRI KHURSHEED ALAM KHAN: In the first instance, as regards the example of Eastern region, it is a question of accessibility only and therefore we are compelled to operate the service. Now in this case also, it is not that we operated this service for a short period and came to this conclusion. In fact, the service was operated for one whole year and I have discussed this matter in detail with your Chief Minister. He has made certain suggestions and I am going to look into those suggestions.

SHRI M. S. GURUPADASWAMY: May I know whether service—and not mere profit—is also kept as a factor while introducing services in various regions?

SHRI KHURSHEED ALAM KHAN: Yes, Sir. Two factors are there—service and viability. But service at places which are not inaccessible is more essential for us to maintain. At other places, it has to be kept in view, but viability is also an important factor.

SHRI H. HANUMANTHAPPA: The Indian Airlines has undertaken a study of this route and submitted a report regarding viability of this particular line. The Chief Minister of Karnataka has made certain recommendations permitting the State Government officials to travel through this air flight betwen Bangalore and Belgaum which will certainly go to increase the income of the flight. Will the Minister consider on the basis of the report of the officials and on the basis of the assurance given by the Chief Minister re-introducing this flight which is a very important flight in Karnataka connecting these two important cities?

SHRI KHURSHEED ALAM KHAN: Sir, I have already stated that I had a discussion with the Chief Minister and he did mention certain suggestions. But one thing I would like to mention for the information of the hon. Member—that there are very few district level officials who normally go to the Centre or to the State capital for meetings or discussions.